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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 12, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-12312

TPI RESTAURANTS, INC.
(Exact name of registrant as specified in its charter)

TENNESSEE	62-0840246
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2158 UNION AVENUE, MEMPHIS, TENNESSEE	38104
(Address of principal executive offices)	(Zip code)

(Registrant's telephone number, including area code) (901) 725-6400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x . No ____.

As of August 24, 1992, all of the outstanding shares of the Company were owned by TPI ENTERPRISES, INC.

Registrant meets the conditions set forth in General Instruction (H) (1) (a) and (b) of Form 10-Q and is therefore filing this Form with reduced disclosure format.

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TPI RESTAURANTS, INC. AND SUBSIDIARIES

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TPI RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS

	July 12, 1992	December 29, 1991
Current Assets:		
Cash and cash equivalents	$ 2,818	$ 4,165
Receivables, net of allowance for doubtful accounts of $30 and $28 in 1992 and 1991, respectively	1,146	1,461
Inventories	13,691	12,899
Income taxes refundable	1,029	1,029
Other current assets	1,183	677
Total Current Assets	19,867	20,231
Property and Equipment	175,214	163,911
Less accumulated depreciation and amortization	(41,368)	(35,276)
	133,846	128,635
Goodwill, net of accumulated amortization of $5,004 in 1992 and $4,316 in 1991	40,823	41,511
Other intangible assets, net of accumulated amortization of $2,411 in 1992 and $3,671 in 1991	11,719	11,679
Other	2,725	999
	$ 208,980	$ 203,055

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:		
Note payable to bank	$ 2,100	$ 4,250
Current portion of long-term debt	2,211	1,705
Accounts payable	16,412	14,284
Accrued liabilities	24,433	22,825
Total Current Liabilities	45,156	43,064
Long-term debt	122,507	120,660
Deferred income taxes	963	-
Other liabilities	1,613	1,652
Total Liabilities	170,239	165,376
Commitments and Contingencies		
Stockholder's Equity		
Series A preferred stock ($40,000 aggregate liquidation preference)	-	-
Common stock	-	-
Paid-in capital	50,000	50,000
Retained earnings (deficit)	(11,259)	(12,321)
Total Stockholder's Equity	38,741	37,679
	$ 208,980	$ 203,055

See accompanying notes to Consolidated Financial Statements.

TPI RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	Twelve Weeks Ended July 12, 1992	Twelve Weeks Ended July 14, 1991	Twenty-eight Weeks Ended July 12, 1992	Twenty-eight Weeks Ended July 14, 1991
Revenues:				
Restaurant sales	$ 67,885	$ 64,502	$ 151,415	$ 143,748
Other income	565	251	1,014	719
	68,450	64,753	152,429	144,467
Costs and expenses:				
Food and supplies	23,647	24,794	53,487	53,230
Labor	16,695	15,861	37,223	35,589
Other expenses exclusive of depreciation and amortization	9,325	8,701	20,751	19,575
Taxes, other than income taxes	2,930	2,721	6,551	6,276
Depreciation and amortization	3,382	3,160	7,681	7,299
General and administrative	6,769	6,933	15,221	15,984
	62,748	62,170	140,914	137,953
Operating income	5,702	2,583	11,515	6,514
Other income (expense):				
Interest income	10	10	22	28
Interest expense	(4,135)	(4,153)	(9,557)	(9,628)
Loss on disposition of assets	(60)	(1,956)	(72)	(1,956)
Other	44	51	117	121
	(4,141)	(6,048)	(9,490)	(11,435)
Income (loss) before income tax provision (benefit) and extraordinary item	1,561	(3,465)	2,025	(4,921)
Income tax provision (benefit)	677	(1,188)	1,127	(1,188)
Income (loss) before extraordinary item	884	(2,277)	898	(3,733)
Extraordinary item - tax benefit of net operating loss carryforward	-	-	(164)	-
Net income (loss)	$ 884	$ (2,277)	$ 1,062	$ (3,733)

See accompanying notes to Consolidated Financial Statements.

TPI RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Twenty-eight Weeks Ended July 12, 1992	Twenty-eight Weeks Ended July 14, 1991
Cash flows from operating activities:		
Net income (loss)	$ 1,062	$ (3,733)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	7,681	7,299
Loss on disposition of fixed assets	72	1,956
Deferred income taxes	963	(1,042)
Changes in assets and liabilities:		
Receivables	315	145
Inventories	(792)	(4,487)
Other current assets	(506)	(261)
Other assets	(2,013)	(99)
Accounts payable	2,128	6,156
Accrued liabilities	1,608	1,617
Income taxes refundable	-	767
Other liabilities	(39)	(61)
Total adjustments	9,417	11,990
Net cash provided by operating activities	10,479	8,257
Cash flows from investing activities:		
Purchase of property and equipment	(13,650)	(8,504)
Proceeds from sale-leaseback transactions	2,030	-
Proceeds from sale of property and equipment	2,417	436
Net cash used in investing activities	(9,203)	(8,068)
Cash flows from financing activities:		
Proceeds from note payable to bank	45,500	16,486
Payments of note payable to bank	(47,650)	(15,986)
Proceeds from long-term debt	424	-
Payments of long-term debt and capital leases	(897)	(1,434)
Net cash used in financing activities	(2,623)	(934)
Net decrease in cash and cash equivalents	(1,347)	(745)
Cash and cash equivalents at the beginning of the period	4,165	3,512
Cash and cash equivalents at the end of the period	$ 2,818	$ 2,767

Noncash Transactions

Additions to assets under capital leases and the related obligations for the twenty-eight weeks ended July 12, 1992 and July 14, 1991 were $2,826,000 and $821,000, respectively. Capital lease additions in 1992 include $1,254,000 relating to sale-leaseback transactions.

See accompanying notes to Consolidated Financial Statements.

TPI RESTAURANTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. The statements do reflect all adjustments, consisting of only normally recurring accruals, which are, in the opinion of management, necessary for fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. The statements should be read in conjunction with the Notes to the Consolidated Financial Statements for the fiscal year ended December 29, 1991 included in the Company's Annual Report on Form 10-K filed with The Securities and Exchange Commission.

NOTE 2

The results of operations for the twelve and the twenty-eight week periods ended July 12, 1992, and July 14, 1991 are not necessarily indicative of the results to be expected for the full year.

NOTE 3

Refinancing

On August 6, 1992, the Company completed the refinancing (the "Refinancing") of its 14.25% Senior Subordinated Notes (the "Notes"). Pursuant to the Refinancing, TPI Enterprises, Inc. ("Enterprises") issued $51,750,000 aggregate principal amount of 8.25% Convertible Subordinated Debentures, due 2002 (the "Debentures"), which are guaranteed by the Company on a subordinated basis, and the Company entered into a credit agreement with a syndicate of banks (the "Banks") providing for term and revolving credit facilities totalling $55,000,000 (the "Credit Facilities"). The net proceeds from the debenture offering (the "Offering") together with $45,000,0000 of existing corporate funds, were contributed to the Company by Enterprises and were used by the Company along with borrowings under the Credit Facilities to repurchase approximately $97,500,000 aggregate principal amount of the Notes. Approximately $81,650,000 aggregate principal amount of the Notes were repurchased pursuant to a tender offer (the "Tender Offer"), at a total cost of approximately $95,000,000 including premium, consent fees and accrued interest to July 29, 1992. An additional $15,850,000 aggregate principal amount of the Notes, previously purchased by Enterprises for $17,798,000, were repurchased by the Company at a total cost of approximately $18,300,000, which amount represented Enterprises' cost plus accrued interest to July 29, 1992 (the "Intercompany Repurchase").

Debentures

The net proceeds to the Company from the Offering were approximately $48,000,000, net of the underwriting discount and estimated expenses. Interest on the Debentures accrues from July 29, 1992 and is payable on January 15 and July 15 commencing January 15, 1993. The Debentures are convertible at the option of the holder into common shares of Enterprises' stock at any time prior to maturity, unless previously redeemed or repurchased, at a conversion price of $6.50 per share, subject to adjustment in certain events.

The Debentures mature on July 15, 2002 and are redeemable, in whole or in part, at the option of Enterprises at any time on or after July 15, 1995 initially at 105.775% of their principal amount and declining to 100% of their principal amount on July 15, 2002, together with accrued and unpaid interest. The Debenture holders may also require Enterprises to repurchase the Debentures, in whole or in part, in certain circumstances involving a change in control of Enterprises as defined in the indenture covering the Debentures (the "Indenture"). However, a change in control, as defined in the Indenture, will create an event of default under the Credit Facilities and, as a result, any repurchase would, absent a waiver, be blocked by the subordination provisions of the Indenture until the Credit Facilities (and any other senior indebtedness of Enterprises and senior indebtedness of the Company with respect to which there is a payment default) have been repaid in full.

The Debentures are unconditionally guaranteed ("the Guarantee") on a subordinated basis by the Company. The Debentures and the Guarantee are subordinated to all existing and future senior indebtedness, as defined in the Indenture, of Enterprises and the Company, respectively, and are also effectively subordinated to all indebtedness of the other subsidiaries of Enterprises and the subsidiaries of the Company. The Indenture does not prohibit or limit the ability of the Company or any of its subsidiaries to incur additional indebtedness, including indebtedness which will rank senior to the Debentures.

Credit Facilities

On July 29, 1992, simultaneously with the consummation of the Offering and the Tender Offer, the Company entered into the credit agreement covering the Credit Facilities. The Credit Facilities consist of a $30,000,000 term loan facility (the "Term Loan Facility") and a $25,000,000 revolving credit facility (the "Revolving Credit Facility"). Up to $20,000,000 of the Revolving Credit Facility is available for direct borrowings by the Company (the "Revolving Borrowings") for general corporate purposes. A portion of the Revolving Credit Facility is also available for letters of credit.

The Term Loan Facility, of which the entire $30,000,000 has been borrowed, matures approximately five years after closing and is payable in 20 consecutive quarterly installments of $750,000 per quarter during the first two years of the Term Loan and $2,000,000 per quarter for the remainder of the Term Loan. The Revolving Credit Facility matures two years after closing at which time the Revolving Borrowings will be required to be repaid in full. Because the Credit Facilities do not permit the obtaining of a replacement for the Revolving Credit Facility from another lender, the Company will likely be required to refinance the entire amount of the Credit Facilities upon the expiration of the Revolving Credit Facility unless the Banks extend the Revolving Credit Facility.

The Term Loan and Revolving Borrowings will initially bear interest, at the option of the Company, at either (i) the Alternate Base Rate (as defined below) plus 1.50% (the "Alternate Base Rate Margin") or (ii) LIBOR (adjusted for reserves) for interest periods of 1, 2, 3, or 6 months, plus 2.50% (the "LIBOR Margin"). After the second fiscal quarter of 1993, the applicable interest margin will be adjusted from time to time based upon certain financial ratios of the Company. The alternate Base Rate Margin may vary from 0.50% to 1.75% and the LIBOR Margin may vary from 1.50% to 2.75%. The "Alternate Base Rate" is the greater of (a) the prime commercial lending rate as publicly announced to be in effect from time to time of one of the Banks, and (b) 0.50% plus the federal funds rate (as published by the Federal Reserve Bank of New York). An additional amount of interest will be payable if any payment of principal or interest is not paid when due. The Company has agreed to pay certain fees and expenses of the Banks in connection with the original commitment letter and Credit Facilities which, together with the Company's other costs in connection with obtaining the Credit Facilities, total approximately $2,000,000 and has also agreed to indemnify the Banks against certain liabilities. The Company also agreed to pay various fees and expenses in connection with letters of credit to be issued against the Revolving Credit Facility and commitment fees equal to 0.50% per annum on the average daily unused amount of the Revolving Credit Facility and the Term Loan Facility.

The borrowings under the Credit Facilities have been initially secured by all shares of the capital stock of the Company whenever issued, intercompany debt of the Company owed to Enterprises and lease assignments with respect to certain premises in which the land is currently leased but the building located thereon is owned by the Company. In addition, the Banks have the right to obtain, as security, assignments of other leases and/or mortgages on real property currently owned or hereafter acquired. Notwithstanding the foregoing, the Company has rights to finance certain of these properties and obtain a release of the collateral under certain conditions. Enterprises has irrevocably and unconditionally guaranteed the full and prompt payment when due of all obligations of the Company under the Credit Facilities.

The Credit Facilities limit, among other things, the ability of the Company and its subsidiaries to incur additional indebtedness, pay dividends, issue preferred stock of subsidiaries, repay indebtedness prior to its stated maturity, create liens, sell assets, engage in mergers or acquisitions, make certain capital expenditures and make investments in subsidiaries. The Company must also maintain certain financial ratios.

Tender Offer and Consent Solicitation

Pursuant to the Tender Offer which commenced on June 12, 1992 and which was amended July 6, 1992, the Company offered to purchase $84,150,000 aggregate principal amount of the Notes at an aggregate cash purchase price of $1,140 per $1,000 principal amount of such Notes plus accrued interest thereon, which consisted of $1,080 per $1,000 principal amount for validly tendered Notes and $60 per $1,000 principal amount for validly delivered consents to certain amendments (the "Amendments") to the indenture covering the Notes (the "14.25% Indenture"). The Amendments, adopted pursuant to the supplemental indenture to the 14.25% Indenture dated July 20, 1992, modified certain covenants in the 14.25% Indenture relating to, among other things, dividends and other restricted payments, incurrence of indebtedness and transactions with affiliates in order to facilitate the Refinancing. $81,676,000 principal amount of the Notes were accepted for purchase and paid for by the Company. In addition the Company purchased from Enterprises $15,850,000 aggregate principal amount of the Notes which had been previously purchased by Enterprises on the open market.

The cost of the Notes repurchased pursuant to the Tender Offer and subsequently, in excess of their principal amount, together with the consent fees, the related deferred finance costs and costs of the Tender Offer, will be charged to income as an extraordinary item, net of income tax, during the third quarter of 1992.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

TPI Restaurants, Inc. (the "Company") maintains its financial records on a 52-53 week fiscal year ending on the last Sunday in December. The first quarterly reporting period consists of sixteen weeks and the remaining three quarters are twelve weeks each. The Company's business is seasonal in nature with the second and third fiscal quarters (Spring and Summer) having higher weekly sales volumes than the first and fourth quarters. The number of restaurants operated by the Company were 243 at July 14, 1991 and 250 at July 12, 1992.

Year to Date 1992 Compared to Year to Date 1991

Operating income increased $5,001,000 or 77% from $6,514,000 in 1991 to $11,515,000 in 1992 as follows:

	Twenty Eight Weeks Ended July 12, 1992 (In thousands)	%	Twenty-eight Weeks Ended July 14, 1991 (In thousands)	%
Revenues	$ 152,429	100	$ 144,467	100
Costs and expenses:				
Food and supplies	53,487	35.1	53,230	36.8
Labor	37,223	24.4	35,589	24.6
Other operating expenses	20,751	13.6	19,575	13.6
Taxes, other than income tax	6,551	4.3	6,276	4.3
Depreciation and amortization	7,681	5.0	7,299	5.1
General and administrative	15,221	10.0	15,984	11.1
	140,914	92.4	137,953	95.5
Operating Income	$ 11,515	7.6	$ 6,514	4.5

Revenues increased $7,962,000 or 5.5% from $144,467,000 in 1991 to $152,429,000 in 1992. This increase was primarily attributable to additional sales of $7,211,000 from new restaurants built after the second quarter of 1991, $2,654,000 from same store sales increases of 2.2% in the Shoney's concept and .75% in the Captain D's concept and $295,000 from insurance operations. These increases were offset by decreases in revenues from closed stores and the Company's other restaurant concepts totalling approximately $2,198,000.

The cost of food and supplies increased by $257,000, or .5%, from $53,230,000 in 1991 to $53,487,000 in 1992. The cost of food and supplies as a percentage of revenue declined from 36.8% to 35.1% between 1991 and 1992. The percentage decrease is due to the Company's improvements in its commissary operations, a general decline in the cost of certain food items purchased by the Company and improved purchase discounts and rebates.

Labor costs increased by $1,634,000 or 4.6% from $35,589,000 in 1991 to $37,223,000 in 1992. Despite an increase in the minimum wage after the first quarter of 1991, labor costs as a percentage of revenue declined from 24.6% in 1991 to 24.4% in 1992. The decline is a result of the Company's continuing efforts to decrease labor costs through the utilization of a master scheduling program as sales continue to increase.

Other operating expenses increased $1,176,000 or 6.0% from $19,575,000 in 1991 to $20,751,000 in 1992, but as a percentage of revenue remained at 13.6% in both periods. This increase was primarily due to increases in facility costs associated with the additional number of restaurants operated by the Company. Workers compensation included in other operating expenses which had increased significantly since May 1990 decreased by approximately $258,000 or 10.9% from $2,357,000 in 1991 to $2,099,000 in 1992. Following the implementation of an aggressive loss control program, both the frequency and severity of losses declined significantly.

Taxes, other than income taxes increased by $275,000 or 4.4%, from $6,276,000 in 1991 to $6,551,000 in 1992, but as a percentage of revenue remained at 4.3% in both periods.

Depreciation and amortization increased by $382,000 or 5.2% from $7,299,000 in 1991 to $7,681,000 in 1992 primarily due to recent capital expenditures in the form of newly built restaurants, continued implementation of the Company's remodeling program and refurbishments.

General and administrative expenses decreased by $763,000 or 4.8% from $15,984,000 in 1991 to $15,221,000 in 1992 and from 11.1% to 10.0% of revenues. Increases in salaries, advertising and professional fees were offset by reduced freight and trucking costs and improved absorption of general and administrative expenses by the commissary operations.

Second Quarter of 1992 Compared to Second Quarter of 1991

Operating income increased $3,119,000 or 121% from $2,583,000 during the second quarter of 1991 to $5,702,000 during the second quarter of 1992 as follows:

	Twelve Weeks Ended July 12, 1992 (In thousands)	%	Twelve Weeks Ended July 14, 1991 (In thousands)	%
Revenues	$ 68,450	100	$ 64,753	100
Costs and expenses:				
Food and supplies	23,647	34.5	24,794	38.3
Labor	16,695	24.4	15,861	24.5
Other operating expenses	9,325	13.6	8,701	13.4
Taxes, other than income tax	2,930	4.3	2,721	4.2
Depreciation and amortization	3,382	5.0	3,160	4.9
General and administrative	6,769	9.9	6,933	10.7
	62,748	91.7	62,170	96.0
Operating Income	$ 5,702	8.3	$ 2,583	4.0

Revenues increased $3,697,000 or 5.7% from $64,753,000 in 1991 to $68,450,000 in 1992. This increase was primarily attributable to additional sales of $3,941,000 from new restaurants built after the second quarter of 1991 and $799,000 from a same store sales increase of 2.0% in the Shoney's concept. These increases were offset by a 1.9% decrease in same store sales in the Captain D's concept and decreases from closed stores and the Company's other restaurant concepts totalling approximately $1,358,000.

The cost of food and supplies decreased by $1,147,000, or 4.6%, from $24,794,000 in 1991 to $23,647,000 in 1992. The cost of food and supplies as a percentage of revenue declined from 38.3% to 34.5% between 1991 and 1992. These decreases related to improvements in the Company's commissary operations, a general decline in the cost of certain food items purchased by the Company and improved purchase discounts and rebates.

Labor costs increased by $834,000, or 5.3% from $15,861,000 in 1991 to $16,695,000 in 1992. Despite an increase in the minimum wage after the first quarter of 1991, labor costs as a percentage of revenue declined from 24.5% in 1991 to 24.4% in 1992. The decline is the result of the Company's continuing efforts to decrease labor costs through the utilization of a master scheduling program.

Other operating expenses increased $624,000 or 7.2% from $8,701,000 in 1991 to $9,325,000 in 1992, and as a percentage of revenue increased from 13.4% to 13.6%. This increase was primarily due to an increase in facility costs associated with the additional number of restaurants operated by the Company. Workers compensation included in other operating expenses which had increased significantly since May 1990 decreased by approximately $43,000 or 5.1% from $843,000 in 1991 to $800,000 in 1992. Following the implementation of an aggressive loss control program, both the frequency and severity of losses have declined significantly.

Taxes, other than income taxes increased by $209,000 or 7.7%, from $2,721,000 in 1991 to $2,930,000 in 1992, and was 4.3% of revenues in 1992 compared to 4.2% in 1991.

Depreciation and amortization increased by approximately $222,000, or 7.0%, from $3,160,000 in 1991 to $3,382,000 in 1992 primarily due to recent capital expenditures in the form of newly built restaurants, continued implementation of the Company's remodeling program and refurbishments.

General and administrative expenses decreased by approximately $164,000 or 2.4% from $6,933,000 in 1991 to $6,769,000 in 1992 and from 10.7% to 9.9% of revenues between the quarterly periods. Increases in incentive compensation, advertising and professional fees from the second quarter of 1991 to the second quarter of 1992 were offset by reduced freight and trucking costs and improved absorption of general and administrative expenses by the commissary operations.

General

Income taxes are computed in accordance with a Tax Sharing and Payment Agreement with TPI Enterprises, Inc. The provision (benefit) for income taxes consists of state and local income taxes and a federal tax benefit at the statutory rate of 34% on the income (loss) from operations. When providing for income taxes, the income (loss) before provision (benefit) for income taxes must be increased by the difference between the amount of depreciation and amortization expense related to the fair value of the Company's assets acquired and the amount of depreciation and amortization expense for these same assets allowed for income tax purposes. In February 1992, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Adoption of this statement is currently required for fiscal years beginning after December 15, 1992. The Company is not able to determine at the present time the effect that adoption of the new statement will have on its consolidated financial statements.

Liquidity and Capital Resources

On August 6, 1992, the Company completed the refinancing (the "Refinancing") of its 14.25% Subordinated Notes (the "Notes"). Pursuant to the Refinancing, TPI Enterprises issued $51,750,000 aggregate principal amount of its 8.25% Convertible Subordinated Debentures due 2002 (the "Debentures"), which are guaranteed by the Company on a subordinated basis, and the Company entered into a new credit agreement with a syndicate of banks (the "Banks") providing for term and revolving credit facilities totalling $55,000,000 (the "Credit Facilities"). The net proceeds from the Debenture offering (the "Offering"), together with $45,000,000 of existing corporate funds of TPI Enterprises, were contributed to the Company by Enterprises and were used by the Company along with borrowings under the Credit Facilities to repurchase approximately $97,500,000 aggregate principal amount of the Notes. Approximately $81,650,000 aggregate principal amount of the Notes were repurchased pursuant to a tender offer (the "Tender Offer"), at a total cost of approximately $95,000,000 including premium, consent fees and accrued interest to July 29, 1992. An additional $15,850,000 aggregate principal amount of the Notes, previously purchased by Enterprises for $17,798,000 were repurchased by the Company at a total cost of approximately $18,300,000 which amount represented Enterprises' cost plus accrued interest to July 29, 1992 (the "Intercompany Repurchase").

The Debentures are convertible at the option of the holder into common shares of Enterprises' stock at any time prior to maturity, unless previously redeemed or repurchased, at a conversion price of $6.50 per share, subject to adjustment in certain events. The Debentures mature on July 15, 2002 and are redeemable, in whole or in part, at the option of Enterprises at any time on or after July 15, 1995, initially at 105.775% of their principal amount and declining to 100% of their principal amount on July 15, 2002, together with accrued and unpaid interest. The Debenture holders may also require Enterprises to repurchase the Debentures, in whole or in part, in certain circumstances involving a change in control of Enterprises as defined in the indenture covering the Debentures (the "Indenture"). However, a change in control, as defined in the Indenture, will create an event of default under the Credit Facilities and, as a result, any repurchase would, absent a waiver, be blocked by the subordination provisions of the Indenture until the Credit Facilities (and any other senior indebtedness of Enterprises and senior indebtedness of the Company with respect to which there is a payment default) have been repaid in full.

The Debentures are unconditionally guaranteed (the "Guarantee") on a subordinated basis by the Company. The Debentures and the Guarantee are subordinated to all existing and future senior indebtedness, as defined in the Indenture, of Enterprises and the Company, respectively, and are also effectively subordinated to all indebtedness of the other subsidiaries of Enterprises and the subsidiaries of the Company. The Indenture does not prohibit or limit the ability of the Company or any of its subsidiaries to incur additional indebtedness, including that which will rank senior to the Debentures.

On July 29, 1992 simultaneously with the consummation of the Offering and Tender Offer, the Company entered into the credit agreement covering the Credit Facilities. The Credit Facilities consist of a $30,000,000 term loan facility (the "Term Loan Facility") and a $25,000,000 revolving credit facility (the "Revolving Credit Facility"). Up to $20,000,000 of the Revolving Credit Facility is available for direct borrowings by the Company (the "Revolving Borrowings") for general corporate purposes. A portion of the Revolving Credit Facility is also available for letters of credit.

The Term Loan Facility, of which the entire $30,000,000 has been borrowed, matures approximately five years after closing and is payable in 20 consecutive quarterly installments of $750,000 per quarter during the first two years of the Term Loan and $2,000,000 per quarter for the remainder of the Term Loan. The Revolving Credit Facility matures two years after closing at which time Revolving Borrowings will be required to be repaid in full. Because the Credit Facilities do not permit the obtaining of a replacement for the Revolving Credit Facility from another lender, the Company will likely be required to refinance the entire amount of the Credit Facilities upon the expiration of the Revolving Credit Facility unless the Banks extend the Revolving Credit Facility.

The borrowings under the Credit Facilities have initially been secured by all shares of the capital stock of the Company whenever issued, intercompany debt of the Company owed to Enterprises and lease assignments with respect to certain premises in which the land is currently leased but the building located thereon is owned by the Company. In addition, the Banks have the right to obtain, as security, assignments of other leases and/or mortgages on real property currently owned or hereafter acquired. Notwithstanding the foregoing, the Company has rights to finance certain of these properties and obtain a release of the collateral under certain conditions. Enterprises has irrevocably and unconditionally guaranteed the full and prompt payment when due of all obligations of the Company under the Credit Facilities.

The Credit Facilities limit, among other things, the ability of the Company and its subsidiaries to incur additional indebtedness, pay dividends, issue preferred stock of subsidiaries, repay indebtedness prior to its stated maturity, create liens, sell assets, engage in mergers or acquisitions, make certain capital expenditures, and make investments in subsidiaries. The Company must also maintain certain financial ratios.

Pursuant to the Tender Offer, the Company offered to purchase $84,150,000 aggregate principal amount of the Notes at an aggregate cash purchase price of $1,140 per $1,000 principal amount of such Notes plus accrued interest thereon, for validly tendered Notes and validly delivered consents to certain amendments (the "Amendments") to the Indenture covering the Notes (the "14.25% Indenture"). The Amendment, adopted pursuant to the supplemental indenture to the 14.25% Indenture dated July 20, 1992, modified certain covenants in the 14.25% Indenture, relating to, among other things, dividends and restricted payments, incurrence of indebtedness and transactions with affiliates, in order to facilitate the Refinancing. $81,676,000 principal amount of the Notes were accepted for purchase and paid for by the Company. Enterprises had previously purchased $15,850,000 aggregate principal amount of the Notes in the open market. The total cost of the Notes repurchased pursuant to the Tender Offer and the additional $1,000,000 repurchased on August 11, 1992 in excess of their principal amount, together with the consent fees, the related deferred finance costs and costs of the tender offer, will be charged to income as an extraordinary item, net of income tax, during the third quarter of 1992.

The Company sold $100,000,000 principal amount of the Notes in November 1988. Following the refinancing and the repurchase of an additional $1,000,000 principal amount of the Notes, approximately $1,500,000 of the Notes remain outstanding. Restrictions under the Indenture, the Guarantee, the Credit Facilities and the 14.25% Indenture, as amended, are not expected to affect the Company's ability to meet its obligations.

As of July 12, 1992, there was $2,100,000 outstanding against the Company's line of credit in the amount of $10,000,000 which was extended until the closing of the Credit Facilities on July 29, 1992. In connection with the line of credit, Enterprises pledged a $6,000,000 certificate of deposit with the bank as security for the repayment of the first $6,000,000 of any outstanding balance on the credit line and guaranteed the Company's repayment of any remaining balance on the credit line. As of the end of the second quarter, the Company had $7,780,000 of standby letters of credit outstanding. The letters of credit were secured by a $5,700,000 certificate of deposit of Enterprises. Pursuant to the Refinancing, the line of credit was repaid, outstanding letters of credit have been deemed issued pursuant to the Revolving Credit Facility and certificates of deposit which had been securing the obligations became available for Enterprises' general working capital purposes. As of August 24, 1992, standby letters of credit in the amount of approximately $7,780,000 were outstanding and there were no Revolving Borrowings outstanding. Consequently, approximately $17,220,000 of the Revolving Credit Facility is available for general corporate purposes. The Company believes that all of its working capital needs for 1992 will be met through cash generated by operations and borrowings available under the Credit Facilities.

The Company has a working capital deficiency at July 12, 1992 of approximately $25,000,000. The Company's operations do not have significant receivables or inventory and receive trade credit based upon negotiated terms in purchasing food and supplies. Therefore, like many other companies in the restaurant industry, the Company generally operates with negative working capital.

The Company's "maintenance capital expenditures" at existing restaurants approximate $2,000,000 annually and are required in order to replace individual building or equipment components which are needed from time to time as a result of normal wear. In addition, the Company has embarked on a plan to expand the number of restaurants that it operates. The Company's current expansion plan is based upon a number of factors, including the amount and terms of financing the Company currently anticipates being available, the anticipated cost of construction and the continued success of its restaurants. Remodeling costs for existing restaurants and costs for land, building and equipment for new restaurants and support facilities were approximately $14,000,000 during 1991 and approximately $12,000,000 during the first half of 1992. The Company received proceeds of approximately $2,030,000 through sale-leaseback transactions during the first half of 1992, which provided for the financing of approximately eighty percent of the costs of certain of its Shoney's restaurants. Such proceeds represent a reimbursement for a portion of the Company's cash outlays during 1992 and 1991 for the aforementioned costs for new restaurants.

After giving effect to the Refinancing, based upon current levels of operations and anticipated growth, the Company expects that sufficient cash flow will be generated from operations so that, combined with other financing alternatives available to it, including borrowings under the Credit Facilities, mortgage financing and sale-leaseback transactions as described above, the Company will be able to meet all of its debt service requirements, as well as its capital expenditure and working capital requirements.

The Company is required under an agreement with Shoney's, Inc. to have open July 1, 1995 the same number of Shoney's restaurants (including the additional Shoney's described below) that were operated by the Company on July 1, 1988 (170 restaurants) to avoid termination of its reserved area agreements. Operating restaurants which were purchased from existing franchisees may not be counted towards the July 1, 1995 requirement. As of August 24, 1992 the Company needed to construct five new Shoney's restaurants in order to meet this requirement. The Company's reserved area agreement for Shoney's restaurants for 28 counties in Texas includes an expansion schedule that requires the Company to develop a total of 14 Shoney's restaurants over a nine year period ending in 1997 or Shoney's, Inc. would have the right to terminate the Company's exclusive rights in those counties. Additionally, the Company has entered into an agreement with Shoney's, Inc. to develop 38 new Captain D's restaurants over the next 20 years, at the approximate rate of two per year. The Company intends to meet these expansion requirements, and the costs for such expansions through 1992 are provided for in the Company's current and planned capital expenditures described above.

PART II - OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits: None

(b) Reports on Form 8-K: None

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TPI Restaurants, Inc.
(Registrant)

Date: August 25, 1992

By: /s/ Frederick W. Burford

Frederick W. Burford
Vice President & Chief Financial Officer
(Principal Financial Officer)

Date: August 25, 1992

By: /s/ Michael D. Sanford

Michael D. Sanford
Controller
(Principal Accounting Officer)